



# BUSINESS ETHICS IN MANAGEMENT

Dr. ARAS KUMAR. M.R.

Selection Grade Lecturer in Commercial Practice, Government Polytechnic for Women, Near K.S.R.T.C Bus Stand, Ijoor, Ramanagaram – 562159.

## ABSTRACT

The word 'Ethics' is derived from Greek word 'Ethikos' and Latin word 'Ethicus' means, custom or character. The concept of ethics deals with human beings. So, it is a social science. Ethics is a branch of philosophy and is considered with norms of human beings. Ethics includes well based standards of right and wrong, that prescribe what humans ought to do and it also refers to the study the development of one's ethical standards. Business Ethics is nothing but the application of ethics in business. Business Ethics is the application of general ethical ideas to business behaviour which facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity. Globalization, the march into the information age, and workforce diversity are changing the way business is conducted and the ethical issues businesses face. If business ethics is to remain relevant, it must change its focus accordingly. Today, more than 1000 companies in 60 countries have published sustainability report proclaiming their active support for the environment, their employees and their local community. The study is confined to business ethics in general and ethics in management in particular. It analyses and finds the conceptual frame work of business ethics and its relevance in Management. The study is also focuses on the principles, importance and structural aspects of ethics in Management.

**KEYWORDS:** Social Science, Behaviour, Society, Productivity, Globalization, Environment, Principles.

## INTRODUCTION:

**Ethics:** Ethics is not recent phenomenon. Ethical codes have been prepared along with the development of human civilization. In olden days, people might have found some of their actions was wrong and others right. The question what is right and what is wrong gave birth to ethical and unethical codes. The word 'Ethics' is derived from Greek word 'Ethikos' and Latin word 'Ethicus' means, custom or character. The concept of ethics deals with human beings.

Ethics includes well based standards of right and wrong, that prescribe what humans ought to do and it also refers to the study the development of one's ethical standards. Business Ethics is nothing but the application of ethics in business. Business Ethics is the application of general ethical ideas to business behavior which facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity.

Business Ethics is concerned with the behavior of a businessman in doing a business. Unethical practices are creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics is applicable to every type of business. A businessman should not ignore the business ethics while assuming social responsibility. Business ethics means the behavior of a businessman while conducting a business by observing morality in his business activities.

## ETHICAL MANAGEMENT:

To create an ethical organization, certain steps are to be taken. Ethical or unethical behavior of individual employees is influenced in the workplace both by their own moral development and the influence that the organization culture exerts on them. They are influenced by a group of forces that surrounded them such as their peers, their supervisors and superiors, the reward system, group norms, company values and policies and the manner of their implementation.

Ethical behavior can be developed and managed in number of ways. The pivotal role to manage and develop ethical behavior among employees lies with the human resource management of that organization. Human Resource Management department can execute this through training, communication and discipline. The big organizations which are ethically committed, assign the primary task of managing and monitoring their organizations, there may be ethics officers who are entrusted with the responsibility to bring ethics and manage ethics in every endeavour of their organization.

## THE JOURNEY OF ETHICS FROM ITS INCEPTION TO THE FUTURE:

**PAST:** There were many events that occurred to impact change in business philosophies and reporting practices. During 1920s, the concept of capitalism played an integral part in the evolution of business ethics. For instance, a progressive movement provided citizens with what was defined as 'The Living Wage.' The purpose of this movement was to encourage business to adopt policies that allocated sufficient income for workers to provide for that education, recreation, health and retirement.

By the 1930s, it evolved into 'The New Deal,' in which business were asked to work closely in the legislators to raise the family income. By the 1950s, it was transformed into 'A Fair Deal.' This plan addressed important concerns like civil rights and ethical issues regarding environmental responsibility.

By the 1960, the social and political movements brought forth major changes in the evolution of business ethics. In 1962, four basic consumer rights to help protect the public i.e., (a) right to safety, (b) right to be informed, (c) right to choose and (d) right to be heard. These eventually became known as the Consumer Bill of Rights and had a huge impact on the evolution of business ethics.

In 1970s, the issue of Business ethics continued to evolve and as a result, began to emerge as a new field of study. During this period, a set of moral values that were acceptable with respect to business activities and employees were militant about ethical issues, human rights, disadvantaged consumers and transparency issues.

In 1980s, incidents like bribery, illegal contract practices, influential peddling, deceptive advertising and financial fraud shaped the development of business ethics. Some initiative steps have been adopted by many of today's organizations for their success, like code of conduct, ethical training to employees, an open atmosphere for employees to report violation without fear for retribution, inclusion of internal audits with effective reporting and adopting a philosophy of public accountability etc.

**PRESENT:** A classic quotation states 'Ethical business is good business.' Several steps can be implemented to promote ethical practices and establish a strong ethical culture. The organization's selection process (interviews, tests, background checks, references etc.) should be used to weed out ethically undesirable applicants. Codes of ethics are an increasingly popular way for reducing ambiguity. These are formal documents, expressed in language anyone can understand, that state an organization's primary values and the ethical rules and principles it expects its employees to follow. Codes of ethics are probably the most visible sign of a company's ethical philosophy.

There must be a high degree of commitment to business ethics from top management. Managers must embrace ethics and continually reaffirm their support for ethical conduct. The employees will believe that unethical behaviors are tolerated in their organizations and may therefore act less ethically than they otherwise would.

A recent development in the study is, employee goals must be reasonable and capable of being accomplished. Goals which are impossible to attain can be conducive to unethical behavior. Those, who fail to achieve a pre-set goal by a small margin, are likely to falsify their performance reports in order to make it seem that, they had achieved their goals even when there was no monetary reward for achieving the goal.

An organization's culture sets the norms that employee's behaviors. The influence of an organization's culture on employee ethics can also be understood in terms of attraction, selection attrition framework. Many of the business have

adopted codes of ethics for their directors and specified that, the primary duty of board members is to oversee the CEO and other senior management in the competent and ethical operation of the corporation.

**FUTURE:** The term 'Business ethics' have become firmly entrenched and an established part of our vocabulary. As described earlier, some studies show that, younger managers are less ethical than their older counterparts and business students are less ethical than managers, the concern for ethics in business continues.

Managers are increasingly aware that, ethics cannot be divorced from business. Many have embraced a new business, a new business model in which ethics and profits, a new business model in which ethics and profitability are treated as complementary rather than as mutually exclusive. As an academic field, business ethics contributes discussion forums, research and instruction. Many universities have established Business Ethics Centres and conduct regular seminars and training sessions for business managers. From an academic perspective, looking back over the past three decades much has been accomplished. But, looking to the future, it is easy to see that, there is still much to be done. Globalization, the march into the information age, and workforce diversity are changing the way business is conducted and the ethical issues businesses face. If business ethics is to remain relevant, it must change its focus accordingly. Today, more than 1000 companies in 60 countries have published sustainability report proclaiming their active support for the environment, their employees and their local community

#### IMPORTANCE OF BUSINESS ETHICS:

1. Ethics corresponds to human needs.
2. Business ethics creates credibility with the public.
3. Business ethics creates social responsibility.
4. Business ethics improves and strengthens organizational culture.
5. Business ethics helps better decision making.
6. Business ethics improves profit.
7. Business ethics builds strong teamwork and greater productivity.
8. Business ethics promotes better employer-employee relationship.
9. Business ethics minimizes criminal and legal complications.
10. Business ethics encourages healthy competition.

#### CHARACTERISTICS OF BUSINESS ETHICS:

Following are the important features of Business Ethics:

1. Business Ethics are the principles, which govern and guide the business people to perform business functions and in that sense business ethics is a discipline.
2. It is considered both as a science and an art.
3. It continuously tests the rules and moral standards and is dynamic in nature.
4. It is based on theological principles such as sincerity, human welfare, service, good behavior etc.
5. It is based on reality and social customs prevailing in business environment.
6. It studies the activities, decisions and behavior which are related to human beings
7. It has universal application because business exists all over the world.
8. Many of the ethical principles develop the personal dignity.
9. Business ethics keeps harmony between different roles of businessman, with every citizen, customer, owner and investors.

#### PRINCIPLES OF BUSINESS ETHICS:

1. The first and most important principles of business ethics emphasize that the means and techniques adopted to serve the business ends must be sacred and pure. It means that a good end cannot be attained with wrong means, even if it is beneficial to the society.
2. It is unethical to do a major evil to another or to oneself, whether this evil is a means or an end.
3. The business should help others only in that condition when other deserves for help.
4. According to W. Wilson, anything that is being done or to be done, should be brought to the knowledge of everyone. If every one knows, none gets

opportunity to do an unethical act.

5. If businessman hurts the interests and rights of the society and exploits the consumer by overlooking their interests this is equivalent to violence and unethical act.

#### OBJECTIVE OF THE STUDY:

- To describe the concept of business ethics, ethics in management and its importance
- To ascertain the business ethics followed by the management
- To identify the principles, importance and the structure of ethics in management.

#### ADVANTAGES OF MANAGING ETHICS IN WORKPLACE:

1. Application of business ethics helps to avoid many evils from the society. It includes child labour, harassment of employees, unscrupulous price fixing, poverty and starvation of employees etc.
2. Ethical programme helps to tune employee behavior in accordance with the values preferred by leaders of the organization.
3. Employees feel strong alignment between their values and those of the organization and they react with strong motivation and performance.
4. Ethics programme help employees to face reality both good and bad in the organization themselves. They feel full confidence to admit and deal with whatever comes in their way.
5. Ethical programmes help to ensure that policies are legal. Ethical principles are often applied to current, major ethical issues and become legislation.
6. Ethical programmes help to detect issues and violations early so that they can be reported or addressed which helps to avoid subsequent penal actions and lower fines.
7. Ethical programme identify favourite values and ensure organizational behaviours which are associated with those values. This complex effort can be aligned with values, including quality management, strategic planning and diversity management.

#### DIFFERENTIATE FROM MANUFACTURING INDUSTRY AND SERVICE SECTOR:

Manufacturing industry refers to those industries which involve in the manufacturing and processing of items and indulge in either creation of new commodities or innovation of commodities. The service sector also called 'Tertiary Sector', and is the third of the three economic sectors. It is an important part of the economy. The service sector involves the provision of services to other businesses as well as final consumers.

There are five main differences between service and manufacturing organizations. The tangibility of their output, production on demand or for inventory, customer – specific production, labour intensive or automated operations, and the need for a physical production, location. However, in practice, service and manufacturing organizations share many characteristics. Many manufacturers offer their own service operations and both require skilled people to create a profitable business.

#### METHODOLOGY:

The study is an attempt to clarify the link between quality management and business ethics in order to show what quality management can learn from insights out of the field of the business ethics.

Based on the study, in the field of business ethics, methods and processes are explored for implementing quality management within organizations. An important result of this study is that, only by combining personal care with control of processes, it is possible to achieve the highest levels of quality. The implications of these findings are discussed along with future directions for research on quality management.

In management systems, attention is paid to social responsibility as far as the impact on society is recognized and implemented within the company. This paper puts forward the necessity for relational responsibility based on personal care as a crucial factor in the relationships between supervisors and employees, between sales people and customers etc. Therefore, the incorporation of relational responsibility into quality programmes seems an important step in the development of quality management.

#### MANAGING ETHICS AND ITS IMPACT TOWARDS WORKPLACE:

1. Application of business ethics helps to avoid many evils from the society. It includes child labour, harassment of employees, unscrupulous price fixing, poverty and starvation of employees etc.

2. Ethical programme helps to tune employee behavior in accordance with the values preferred by leaders of the organization.
3. Employees feel strong alignment between their values and those of the organization and they react with strong motivation and performance.
4. Ethics programme help employees to face reality both good and bad in the organization themselves. They feel full confidence to admit and deal with whatever comes in their way.
5. Ethical programmes help to ensure that policies are legal. Ethical principles are often applied to current, major ethical issues and become legislation.
6. Ethical programmes help to detect issues and violations early so that they can be reported or addressed which helps to avoid subsequent penal actions and lower fines.
7. Ethical programme identify favourite values and ensure organizational behaviours which are associated with those values. This complex effort can be aligned with values, including quality management, strategic planning and diversity management.

**CONCLUSION:**

Ethics are important not only in business but in all aspects of life. Because, it is an essential part of the foundation on which a civilized society is build. A business or society that lacks ethical principles is found to fail sooner or later. Fairness and honesty are at the heart of business ethics and relate to the general values and decision makers. At a minimum business person or business concerns are expected to follow all applicable laws and regulation. Law is generally concerned only with the minimum regulations necessary for public order. On the other hand, ethics examines both the individual and social good in all dimensions.

**REFERENCES:**

1. Law, Ethics and Communication, N D Kapoor, C B Guptha, Rajendra Pal, Sultan Chand & Sons Educational Publishers.
2. Murthy, C.S. Business Ethics: Text and Cases.
3. Sherlekar, S.A. Ethics in Management.
4. Journals of Business Ethics
5. Ethics Programmes in Global Business
6. Journal of Management
7. Murthy, C.S. Business Ethics: Text and Cases.
8. Sherlekar, S.A. Ethics in Management.